

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE BY PUBLIC GAS COMPANY, INC.,)
OF GENERAL RATE ADJUSTMENT) CASE NO. 9565
EFFECTIVE MAY 12, 1986)

O R D E R

IT IS ORDERED that Public Gas Company, Inc., ("Public") shall file an original and eight copies of the following information with this Commission, with a copy to all parties of record, within 2 weeks after the date of this Order. Include with each response the name of the witness who will be available at the public hearing to respond to questions concerning each item of information requested. Careful attention should be given to copied material to insure that it is legible. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed without prejudice.

1. Provide the following information concerning the authorized shares of Public's common stock and their shareholders. Provide the information for the beginning and end of the test year, as well as of the application filing date.

- a. The stockholder of record for the referenced dates.
- b. The number and percentage of shares each stockholder owned.

c. A listing of positions held in Public by the stockholders.

d. The total of any stock authorized but not issued.

2. In the Commission's final Order in Case No. 8186, Public was instructed to "immediately take steps to correct its financial instability by seeking long-term debt financing to replace existing short-term notes." A review of the Annual Reports submitted since that Order does not indicate that Public has taken any action on this issue. Provide an explanation as to why Public has not sought long-term debt financing and has in fact continued to utilize short-term financing.

3. Identify the specific requirements that Public seeks a deviation from under 807 KAR 5:001, Section 14, and why such a deviation should be granted in each instance.

4. Provide the detailed workpapers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue and expense accounts for the test year and a complete detailed narrative explanation of each adjustment including the reason why each adjustment is required. Explain in detail all components used in each calculation including the methodology employed and all assumptions applied in the derivation of each adjustment. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

5. Provide a schedule showing by customer class (i.e., residential, commercial, industrial, etc.) the amount and percent of the proposed increase in revenue distributed to each class. This schedule is to be accompanied by a statement which explains in detail the methodology or basis used to allocate the requested increase in revenue to each of the respective customer classes.

6. As of the date of this Order, indicate the status of these notes payable:

a. J. R. Turner; issued April 1, 1985; due April 1, 1986; amount \$20,000.

b. Madison National Bank; issued February 1, 1985; due February 1, 1986; amount \$50,000.

c. Citizen's National Bank; issued May 20, 1985; due February 20, 1986; amount \$30,000.

d. Citizen's National Bank; issued December 31, 1984; due January 10, 1986; amount \$30,000.

Indicate for each note how much has been repaid or refinanced. Include the details of any refinancing.

7. In Exhibit 5, page 3 of Public's application, it is indicated in question nos. 9 and 12 that certain monthly data is not available. Given the Uniform System of Accounts for Gas Utilities' requirement that the books of a utility be kept on a monthly basis, provide an explanation as to why Public cannot supply monthly financial information.

8. The 1985 Annual Report indicates Public has three full-time and one part-time employees. For those employees:

a. Provide a schedule of salaries and wages for the test year. Indicate the amount of overtime earned, paid, and rate (i.e., time and a half).

b. Indicate to which labor accounts the salaries and wages were charged. Explain the allocation method used.

c. Provide a detailed analysis of all benefits provided to the employees of Public including the itemized cost of each benefit and the average annual cost of benefits per employee. Also provide a schedule reflecting the salaries and other compensation of each executive officer for the test year. Include the percentage annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each executive officer and to whom each executive officer reports.

9. Provide a detailed depreciation schedule for the utility plant in service at the end of the test year. The schedule should include the following:

a. The individual types or kinds of utility plant in service and the original cost of the assets.

b. The accumulated depreciation as of December 31, 1984, for each type or kind of utility plant.

c. The depreciation expense for the test year for each type or kind of utility plant.

d. The depreciable life of each type or kind of utility plant.

10. Provide the following tax information:

a. A copy of federal and state income tax returns for the taxable year ended during the test year including supporting schedules.

b. Schedule of franchise fees paid to cities, towns or municipalities during the test year including the basis of these fees.

11. Provide an explanation as to each of these account increases noted from the test-year balance sheet and statement of income:

a. Materials and Supplies increased from \$0 to \$13,037.

b. Interest accrued increased \$10,974 or 610 percent.

c. Meter Reading Labor increased \$11,776 or 488 percent.

d. Supplies and Expenses increased \$3,592 or 251 percent.

e. Uncollectible Accounts increased \$1,134 or 513 percent, while no corresponding amount was reported as Accumulated Provision for Uncollectible Accounts.

f. Administrative and General Salaries increased \$6,372 or 44 percent.

g. Injuries and Damages increased from \$0 to \$6,738.

h. Rents increased \$2,415 or 92 percent.

i. Property Taxes increased \$333 or 57 percent.

j. Other Interest Expense increased \$2,992 or 29 percent.

12. The balance for Notes Payable increased \$40,000 in the test year. Provide an explanation as to what the proceeds of these notes were used for.

13. Provide a detailed analysis of the \$43,812 balance in Accounts Payable, identifying each vendor who is owed \$1,000 or more. Indicate how much of the \$43,812 was 6 months or more past due as of December 31, 1985. Explain why Accounts Payable increased \$42,753 or 4,037 percent in the test year.

14. Provide explanations as to why each of these income statement accounts decreased or had no recorded expenditures in the test year:

a. Maintenance of Lines decreased \$13,607 or 41 percent.

b. Maintenance of Meters and House Regulators had no recorded expenditures.

c. Accounting and Collection Labor had no recorded expenditures.

d. Property Insurance had no recorded expenditures.

15. Refer to Gas Sales, Present and Rate Comparison in your billing analysis, Exhibit 4, page 2. The rates approved by the Commission in Case No. 8186-J were \$6.6434 and \$5.5234 instead of \$6.60889 and \$5.5234. Please provide corrections of present gas sales and rate comparison.

16. Refer to Gas Sales in the Proforma Column of your Proforma Operating Statement, Exhibit 3, page 1. Show the effect on proforma gas sales of the correction of present gas sales.

17. Provide calculations supporting expected increase in service charge income. Is this expected change a result of a proposed fee increase?

18. Public has stated to the Commission that approximately 50 percent of its pipeline is steel, 50 percent is plastic. When was the steel pipe installed? How is it protected from corrosion? Who is Public's qualified person to conduct a corrosion control program pursuant to 807 KAR 5:022, Section 10(3)?

19. Public has stated that it is hopeful all steel pipeline can be replaced within 7 years. In the meantime by what means will Public prevent its steel pipeline, 50 percent of the system, from deteriorating and becoming a threat to public safety?

20. How often are leak surveys performed over the steel portion of Public's system? Who performs these surveys?

21. When was the most recent leak survey performed? What were the results?

22. Who performs general maintenance on Public's facilities? Is any maintenance on Public's system performed by Pan Bowl Production or PATS personnel?

23. Public has provided information to the Commission showing 488 customers with meters. What percentage of these meters have been purchased within the past 24 months?

24. Who tests Public's meters? Has the meter test shop been inspected by the Commission? When?

25. In its Report of Meters, Consumers and Refunds submitted for the period January 1985 through December 31, 1985, Public stated that 125 new meters were factory tested. What test

procedures are included in the factory test? Did Public spot test any of the factory tested meters?

26. Provide all information which demonstrates how Public is depreciating its meters, pipeline and other appropriate facilities.

27. Has Public investigated the potential for additional sources of supply?

28. Does Public's wholesale contract with Pan Bowl Production require Public to purchase 100 percent of its annual requirements from Pan Bowl?

Done at Frankfort, Kentucky, this 3rd day of June, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary